

# DIRECTIVE

## WELFARE-TO-WORK

Number: WD01-7

Date: September 10, 2001  
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TO: WELFARE-TO-WORK COMMUNITY

SUBJECT: ADMINISTRATIVE COSTS

### EXECUTIVE SUMMARY:

#### Purpose:

This directive will provide revised administrative costs definitions as described in Title 20 Code of Federal Regulations (CFR) Section 645.235 Welfare-to-Work (WtW) Final Rule; Interim Final Rule. These changes will allow the Local Workforce Investment Areas (LWIA) and WtW 15 Percent grantees to reclassify some administrative costs into program costs. Procedures and instructions for making the appropriate fiscal adjustments are also provided.

#### Scope:

This directive applies to the LWIAs and the subgrantees of 15 percent WtW grant funds.

#### Effective Date:

This directive is retroactive to and effective on July 1, 2000.

### REFERENCES:

- Title 20 CFR Part 645, WtW Grants; Final Rule; Interim Final Rule
- Title 20 CFR Section 645.235
- Department of Labor (DOL) Training and Employment Guidance Letter (TEGL) 20-00, Subject: Allocations and Information for Program Year 2000 Cost Reimbursable Grants: One-Stop Labor Market Information Funds (May 2, 2001)

### FILING INSTRUCTIONS:

This directive finalizes Draft Directive WDD-22, issued for comment on August 1, 2001. Retain this directive until further notice.

## **BACKGROUND:**

Prior to the 1999 WtW grant amendments, the WtW regulations (Title 20 CFR Part 645, November 18, 1997) adopted the definition of administrative costs from the Job Training Partnership Act regulations. With the implementation of the Workforce Investment Act (WIA), and because the WtW Grant program is generally operated through the workforce investment system under WIA, the DOL revised the definition of WtW administrative costs to more closely align with the WIA definition. This change broadens the scope of activities that WtW grantees can charge directly to program activities and provides greater flexibility when allocating administrative costs. The WIA administrative costs definition became effective July 1, 2000. Therefore, to allow similar costs incurred under the WtW Grant and WIA during the same period, DOL has determined that WtW operating entities can apply the WtW revised administrative cost definition to costs incurred since July 1, 2000.

## **POLICY AND PROCEDURES:**

This directive provides information regarding the changes made to the administrative cost definitions for WtW subgrantees. These costs will now become more closely aligned with the fiscal and administrative requirements of the WIA and One-Stop systems. The WtW subgrantees can apply the new administrative cost definitions found at Title 20 CFR, Section 645.235 of the WtW Regulations, published January 11, 2001, to costs incurred starting July 1, 2000. The WtW subgrantees can make appropriate adjustments to the administrative and program line-item expenditures. This action should be completed on either the June 30, 2001, report or the September 30, 2001, report. However, this action must be completed no later than on the WtW Summary of Expenditures form for the quarter ending September 30, 2001. See the section on reporting instructions for further detail in making these adjustments.

## **ADMINISTRATIVE COST LIMIT:**

The WtW Regulations, Title 20 CFR Section 645.235(a) and State-imposed requirements limit the expenditures of WtW funds for administrative purposes to no more than 13 percent of the grant award. Should the total amount of the WtW grant award be reduced due to voluntary or involuntary return of funds, the administrative cost expenditures will be measured against the total funds awarded, adjusted by the reduced allotment, for compliance purposes. Administrative cost compliance is calculated after the grant has closed out. The cost limitation provisions apply to net allocation/award remaining after closeout adjustments.

## **ADMINISTRATIVE COSTS DEFINITIONS:**

- (a) The costs of administration are that allocable portion of necessary and reasonable allowable costs of direct recipients, as well as, local grant recipients, local grant subrecipients, and local fiscal agents, which are not related to the direct provision of

services, including services to participants and employers. These costs can be both personnel and non-personnel, and both direct and indirect.

- (b) The costs of administration are the costs associated with performing the following functions:
  - (1) Performing overall general administrative functions and coordination of those functions under WtW including:
    - (i) Accounting, budgeting, financial and cash management functions.
    - (ii) Procurement and purchasing functions.
    - (iii) Property management functions.
    - (iv) Personnel management functions.
    - (v) Payroll functions.
    - (vi) Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports.
    - (vii) Audit functions.
    - (viii) General legal services functions.
    - (ix) Developing systems and procedures, including information systems, required for these administrative functions.
  - (2) Performing oversight and monitoring responsibilities related to WtW administrative functions.
  - (3) Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space.
  - (4) Travel costs incurred for official business in carrying out administrative activities or the overall management of the WtW systems; and
  - (5) Costs of information systems related to administrative functions (for example personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.
  - (6) Awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs.
  - (7) Personnel and related non-personnel costs of staff who perform both administrative functions specified in paragraph (b) of this section and programmatic services or activities must be allocated as administrative or programs costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

- (8) Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Documentation of such charges must be maintained.

#### **ACTIVITIES CHARGED TO PROGRAM COSTS:**

- (1) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program costs. Documentation of such charges must be maintained.
- (2) Except as provided at paragraph (b)(6), all costs incurred for functions and activities of subrecipients and vendors are program costs.
- (3) Costs for the following information systems including the purchases, systems development and operating (e.g., data entry) costs are charged to the program category:
  - (i) Tracking or monitoring of participant and performance.
  - (ii) Information; Employment statistics information, including job listing information, job skills information, and demand occupation information.
  - (iii) The LWIA performance information.

#### **COSTS EXCLUDED FROM ADMINISTRATION/PROGRAM:**

Although administrative in nature, costs of information technology-computer hardware and software-needed for tracking and monitoring of WtW program, participant, or performance requirements; or for collecting, storing and disseminating information, are reported on a separate line and are not included in the administrative or program cost limit calculation.

#### **REPORTING INSTRUCTIONS:**

Beginning with the quarter ending June 30, 2001, subgrantees are instructed to use the WtW Summary of Expenditures form. The revised expenditure report should be completed on either the June 30, 2001, report or the September 30, 2001, report. However, TEGL 20-00 has directed this action and **MUST** be completed no later than on the report for the quarter ending September 30, 2001. The WtW Summary of Expenditures form with adjusted administrative expenditures should contain a note of explanation for the adjustment. This note should be entered in the comments block and reference the WtW Interim Final Rule. The LWIAs/WtW subgrantees filing these adjustments are **NOT** required to revise previously filed reports. All adjustments must be fully documented in support of the revised administrative definition to provide a proper audit trail.

**ACTION:**

Disseminate this policy to the appropriate administrative staff immediately.

**INQUIRIES:**

Direct all technical questions regarding this directive to your regional advisor or program manager.

/S/ JIM CURTIS  
Chief